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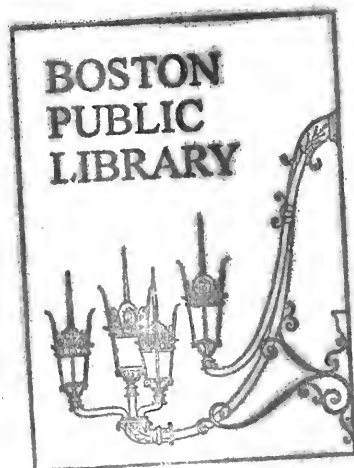
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REPORT ON THE PROPOSED
DEVELOPMENT OF LAND SITUATED AT
228-256 WASHINGTON STREET
BOSTON, MASSACHUSETTS
FOR
BOSTON REDEVELOPMENT AUTHORITY
May 20, 1969

MEREDITH & GREW
INCORPORATED
REAL ESTATE
BOSTON

gov. 91-680

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REAL ESTATE

May 20, 1969

Mr. Donald K. McInnes
Boston Redevelopment Authority
New City Hall
Boston, Massachusetts

Dear Mr. McInnes:

In accordance with your request, we have examined the proposal of Carol Management Company for the development of land situated at 228-256 Washington Street, Boston, Massachusetts.

Our findings are set forth briefly in the accompanying report.

We conclude that the proposal, which contemplates the construction of a 33-story office building on the entire lot, constitutes an inappropriate development of the land.

Suggestions for alternate land use are included in this report.

Respectfully submitted,

MEREDITH & GREW, INCORPORATED
By

Frank A. Mason
Vice President

#6352

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PURPOSE OF REPORT

The purpose of this report is to advise the Boston Redevelopment Authority concerning the desirability of the Carol Management Company proposed development of a site situated at 228-256 Washington Street, Boston, Massachusetts.

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DESCRIPTION OF PROPERTY

The property consists of a parcel of vacant land, now used as a parking lot, containing approximately 21,211 square feet (according to the Assessors' records), situated on the east side of Washington Street and the west side of Devonshire Street. It is irregular in shape and it slopes downward about 10 feet from Washington Street to Devonshire Street. It consists of approximately one-half of the city block bounded by Washington Street, State Street, Devonshire Street and Water Street. The abutting land on State Street and Water Street contain commercial buildings.

See the sketch in this report.

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HIGHEST AND BEST USE

The highest and best use of subject land is for its development with an office building, compatible with the neighborhood and conforming with reasonable design standards.



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PROPOSED DEVELOPMENT

From the information furnished to us, we understand that Carol Management Company proposes to redevelop the subject land with the construction of a 33-story building with three basement levels. The basement will be used for parking to accommodate 180 cars. The first floor will be used for retail stores. The upper 32 floors will be used for office purposes.

The building will cover most of the lot with the exception of an 800 square foot triangle in the southwest corner which may be required at a later date for street realignment.

The building is described as containing 20,000 square feet of gross floor area on all floors, or a total of 720,000 square feet including the three basement levels. The height of the building is approximately 450 feet.

This will be a modern, air conditioned, concrete and steel structure.

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DISCUSSION OF PROPOSED DEVELOPMENT

The principal advantages and disadvantages of the proposed development, considering both its economic feasibility and its affect on the community, are as follows:

Advantages

1. It represents a higher use than the present use.
2. It provides the City with substantial new tax revenue.
3. The design conforms with plans for the realignment of Washington Street and New Arch Street.
4. It provides a built-in population for the adjoining retail district.
5. It reinforces the general downtown office building center.
6. It strengthens the pedestrian link between the Government Center and the retail core of the city.
7. It is located in an advantageous position at a bend in Washington Street, visible from the city's retail core and from the Government Center.
8. It provides a pedestrian connection between Washington Street and Devonshire Street.
9. It provides an investment opportunity for the owner.

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DISCUSSION OF PROPOSED DEVELOPMENT (Continued)

10. It has good exposure on two streets which compensates to a degree for its shallow depth.
11. It is readily accessible to two major subway lines.
12. Its location is excellent for an office building, particularly one which incorporates retail uses on the street floor.
13. It provides a dramatic termination of the Washington Street vista, blending the old and new.

Disadvantages

1. It has no plaza area or building setback.
2. It provides no light and air on the north and south sides.
3. There is no assurance that its north and south window exposures can be maintained permanently in the event the abutters elect to rebuild to a height greater than their present structures.
4. It lacks conformity with design standards for building height and Floor Area Ratio.
5. It dominates the Old South Meeting House which is a National monument of substantial historic interest.

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DISCUSSION OF PROPOSED DEVELOPMENT (Continued)

Disadvantages

6. It tends to restrict the redevelopment of the adjoining properties.

7. It establishes a zoning precedent.

Based on the premise that the highest and best use of the land is for an office building, the basic problem is reduced essentially to the size and configuration of the building.

Ideally, a development of this size, in this location, should encompass the entire block bounded by Washington Street, State Street, Devonshire Street and Water Street, providing approximately 40,000 square feet of land. To accomplish this, it would be necessary to acquire property from two owners on State Street and one owner on Water Street. Each of these three properties contains old but fairly substantial buildings.

Failing to acquire the entire block, it would be desirable to acquire the Water Street property for use with the subject land. The assemblage should be simple since only one owner is involved. The lot contains buildings which are less desirable than those on State Street. The inclusion of the Water Street lot would permit a better

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DISCUSSION OF PROPOSED DEVELOPMENT (Continued)

over-all building design and it would eliminate the problem of perpetuating the existing Water Street building as an unattractive remainder.

Failing to acquire either the State Street or the Water Street properties, a determination must be made of the utility of the subject property alone, which is the basic subject of this report.

The first two of the foregoing disadvantages are serious enough to render the proposed building an undesirable development.

All of the major office buildings, constructed in the city within the last 10 years, have provided for some plaza areas or building setbacks, and they have also provided for light and air circulation around the entire building perimeter. The lack of these amenities will place the subject at an economic disadvantage with the other new buildings with which it will compete for tenants. More importantly from the standpoint of the community, the proposed design will perpetuate the decadence of the city by covering the entire lot and butting up against adjoining buildings. This is a practice which prevailed for many

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DISCUSSION OF PROPOSED DEVELOPMENT (Continued)

years, but is no longer acceptable.

Rather than covering the entire lot, we suggest a minimum setback of 20 feet on Washington Street and 15 feet on both the north and south sides. No setback is needed on the Devonshire Street side which will be used for vehicular access. With those setbacks, approximately 14,000 sq. ft. of land is available for development

For comparative purposes, five economic projections, which pertain only to the subject land, are included in this report. They cover the following situations with the return on investment as indicated:

- | | |
|---|--------|
| 1. The 33 story building, as proposed | 7 3/4% |
| 2. A 15 story building, covering the entire lot | 7 1/4% |
| 3. A 33 story building with setbacks as suggested | 7 5/8% |
| 4. A 15 story building with setbacks as suggested | 7% |
| 5. A 40 story building with setbacks as suggested | 7 3/4% |

All of these properties employ the same unit cost, expense and rental factors.

As general information, the construction cost of a proposed building must be at least four times the land cost to assure success of the project.

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DISCUSSION OF PROPOSED DEVELOPMENT (Continued)

For simplification, the basement areas have been disregarded in all projections. The net rentable areas have been computed in accordance with the standard method of floor measurements as prescribed by the National Association of Building Owners and Managers. The return on investment is based on total project cost, rather than on cash flow after financing owing to the fact that financing terms and costs can vary somewhat depending on the mortgagor's credit, experience, etc.

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CONCLUSIONS

We feel strongly that the proposed building should not be constructed as designed. The building is undesirable because of the lack of setbacks. This situation will perpetuate the decadence of the city rather than provide a first class office building.

The subject lot can be developed economically with minimum setbacks as suggested. For example, the two projections of 33-story buildings in this report indicate a difference of only 1/8 of one percent for return on investment. This difference is based on the same rental factors. Actually, because of design, the building with no setbacks would command lower rentals in part, thereby narrowing the range on yield.

Serious consideration should be given to the inclusion of the Water Street lot in this development to provide a larger site, eliminate an undesirable remainder, and permit street widening. It is the opinion of Meredith and Grew that the acquisition of the Water Street property is a "must".

In support of the opinions expressed herein, the following pages contain some information concerning the experience of Meredith and Grew in connection with similar developments.

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The Company was established in 1875 and it is one of the largest real estate firms in New England. With more than thirty men in its organization, including specialists in brokerage, management, appraising, counseling and financing, the Company covers the entire field of commercial and industrial real estate. It is a service oriented firm, having no financial interest in any of the properties which it handles as a managing agent or broker. As a managing agent, it acts in a fiduciary capacity for such substantial property owners as Travelers Insurance Company, Massachusetts Institute of Technology, Northeastern University, Charlestown Savings Bank, Middlesex County National Bank and others.

The Company has been one of the leaders in the last decade in the leasing and management of new office space. It was responsible for the development of Boston's first downtown office building in thirty years, - The Travelers Insurance Company building containing 400,000 square feet, which it manages. In Hartford, the Company is the leasing

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and managing agent for the famous Constitution Plaza with 450,000 square feet of office space, and the Hartford National Bank building with 250,000 square feet. In Cambridge, it is the managing agent for the Technology Square office building complex, containing 500,000 square feet. It is the leasing agent for the new First National Bank headquarters building now under construction in downtown Boston, consisting of 500,000 square feet of office space exclusive of the area to be occupied by the Bank.

It was recently appointed leasing agent for the new John Hancock Tower, now under construction in Boston, consisting of 500,000 square feet of office space exclusive of the area to be occupied by the owner.

It is leasing agent for the new Gateway Center office building which is now being constructed over the Massachusetts Turnpike in Newton.

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33 STORY BUILDING COVERING ENTIRE CAROL LOT

ESTIMATED PROJECT COST

Land Cost - 21,290 sq. ft. @ \$75±	\$ 1,600,000
Building Construction Cost	
660,000 sq. ft. Gross Area @ \$35	23,100,000
(528,000 sq. ft. net rentable)	
Architect Fees @ 5%	1,155,000
Brokerage Fees - 528,000 net area @ \$1.50	792,000
	26,647,000
Costs during construction (taxes, interest, etc.) 11%	<u>2,931,000</u>
Total Project Cost	29,578,000
Deduct Land Cost	<u>1,600,000</u>
Total Building Cost	27,978,000

ESTIMATED INCOME

Net Rentable - 528,000		
sq. ft. @ \$8.50	\$4,488,000	
Vacancy Allowance	<u>224,000</u>	
Stabilized Gross Income		4,264,000

ESTIMATED EXPENSES

Operations - 528,000		
sq. ft. @ \$1.80	950,000	
Taxes - 21% of stabilized gross	<u>895,000</u>	
		<u>1,845,000</u>
<u>ESTIMATED NET INCOME</u>		2,419,000

RETURN ON INVESTMENT

The projected net income is adequate to provide a return of approximately 7-3/4% on the investment in both land and building, including complete amortization of the building cost over a 40 year period, as follows:

Total Building Cost \$27,978,000 amortized	
in 40 years @ 7-3/4 interest -	
factor = .0812	2,272,000
Land Interest - \$1,600,000 @ 7-3/4	<u>124,000</u>
Total	\$2,396,000

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15 STORY BUILDING COVERING ENTIRE CAROL LOT

ESTIMATED PROJECT COST

Land Cost - 21,290 sq. ft. @ \$75±	\$ 1,600,000
Building Construction Cost	
300,000 sq. ft. Gross Area @ \$35	10,500,000
(240,000 sq. ft. net rentable)	
Architect Fees @ 5%	525,000
Brokerage Fees - 240,000 net area @ \$1.50	<u>360,000</u>
	12,985,000
Costs during Construction (taxes, interest, etc) 11%	<u>1,428,000</u>
Total Project Cost	14,413,000
Deduct Land Cost	<u>1,600,000</u>
Total Building Cost	\$12,813,000

ESTIMATED INCOME

Net Rentable - 240,000 sq. ft. @ 8.50 = 2,040,000	
Vacancy Allowance	<u>100,000</u>
Stabilized Gross Income	1,940,000

ESTIMATED EXPENSES

Operations - 240,000 @ \$1.80 = 432,000	
Taxes - 21% of stabilized gross <u>407,000</u>	
	<u>839,000</u>

ESTIMATED NET INCOME

1,101,000

RETURN ON INVESTMENT

The projected net income is adequate to provide a return of approximately 7-1/4% on the investment in both land and building, including complete amortization of the building cost over a 40 year period, as follows:

Total Building Cost \$12,813,000 amortized	
in 40 years @ 7-1/4% interest -	
factor = .0768	984,000
Land interest - \$1,600,000 @ 7-1/4%	<u>116,000</u>
Total	\$1,100,000



